

White, Mark

pm: White, Mark
sent: Wednesday, January 08, 2003 12:07 PM
To: Gdaniec, Bob
Cc: Donnelly, James
Subject: RE: M Series Keystone License Agreement - Support

Bob,

It is unfortunate that your supervisor does not keep his Managers informed of the Sales & Marketing activities. The License agreement with Victory has been discussed with Dan for some time with his approval. I will copy you and Jim on any proposed future sales activities that will impact Technology. It was never my intention keep you in the dark.

It was determined to License the technology to accomplish the following:

- Use the technology that we have at our disposal. Even though the M Series is somewhat outdated, it has some monetary value.
- Attempt to bring in revenues in the form of Royalties with minimal engineering effort. We are attempting to diversify our approach to markets through the addition of Licensees, Joint Ventures, and Consortium Agreements.
- The Licensee is responsible for updates and improvements. Any updates or improvements will be owned by EPTI for possible use as we see fit.

I don't believe that we would be successful in selling M Series Keystone Boilers. The company is not organized or structured to handle a small commodity product line and the ownership of a US manufacturing facility is needed. The DKME shops are capable of manufacturing the Keystone, however, for the smaller size units, the ocean freight typically eliminates any competitive edge. The longer delivery duration due to overseas transport is a significant problem. Equipment such as burners that require field installation presents a difficult issue to gain acceptance with clients. Victory has a small manufacturing facility and a small group of engineers that are accustomed to executing highly standardized products. They will certainly face some difficulties such as client reluctance to accept the "O" but are confident they can overcome most if not all that present themselves.

In regard to omissions and errors, we are responsible up to the value of the Royalty. A copy of the Licensee (current draft) is enclosed for your review.

Mark



License Agreement
Jan 07.doc

-----Original Message-----

From: Gdaniec, Bob
Sent: Wednesday, January 08, 2003 10:26 AM
To: White, Mark; Levstek, Dan; Donnelly, James
Cc: Briggs, Dave; Fuhrman, Ted; Bradwell, Neil
Subject: RE: M Series Keystone License Agreement - Support

Mark,

Unfortunately, not that it would make any difference, I had no idea of plans to license the Keystone technology, particularly to a US entity. It is disappointing that as an organization we still are not all in concert in discussing our plans and activities so that we can all collectively participate. If Victory Energy thinks they can be successful at selling the Keystone, why aren't we taking the same/similar approach and selling it here? With regards to them updating the line, why don't we hold ownership of the line and any/all improvements that they make to our product must be sent back to us... that would help us in the long run to update/evaluate and adopt the improvements as well?

Considering I had no idea what the arrangements are, please provide a copy of the license agreement (draft) and an overview of the philosophy and basis behind the agreement that you have in mind. What markets/business segments are they going to have? What commitment level are we making on the level of completeness of the data (drawings, design information, etc)? Who is responsible for errors and omissions? In addition, please provide an overview of

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the Victory organization... the people, the skill sets and the expertise level they may have in house. This back up information will help to evaluate how to move forward to support your needs.

Bob

-----Original Message-----

From: White, Mark
Sent: Wednesday, January 08, 2003 9:21 AM
To: Levstek, Dan; Gdaniec, Bob; Donnelly, James
Cc: Briggs, Dave; Fuhrman, Ted; Bradwell, Neil
Subject: M Series Keystone License Agreement - Support

Dan, Bob & Jim,

As you may be aware, we are in the process of establishing a License Agreement with Victory energy for a portion of our M Series Keystone package boiler line. The Agreement will include the 8M (29,000 pph) up to and including the 22M (150,000 pph). Victory understands that the Series is somewhat dated and will require modifications to comply with current customer and code requirements. These changes will be the responsibility of Victory. The Agreement references the Technical Information that we will provide to Victory within a 60 day period. In this regard, please provide a list of drawings and data that will be provided. Dave Briggs has started to list the various drawings etc. In addition, the Agreement will require EPTI to provide one months training to Victory in our offices. Please work up an outline of what will be covered. The training can be accomplished within various segments if desired. Your assistance is appreciated.

Regards,
Mark White